



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN NO. 2411 (1951)

November 26, 1991

SUBJECT: Rural Housing Loans and Debt Restructuring of
Farmer Programs Loans

TO: State Directors, District Directors and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the handling of Rural Housing (RH) Loans for Farmer Programs borrowers when their Farmer Programs loans are restructured. The intended outcome is to ensure the proper handling of RH loans when Farmer Programs loans are serviced..

COMPARISON WITH PREVIOUS AN:

This AN replaces AN 2041(1951) dated January 19, 1990, which expired December 31, 1990.

IMPLEMENTATION RESPONSIBILITIES:

1. Rural Housing Loans for Farm Buildings

The RH loans for Farm buildings (RHF) will be handled similar to other Farmer Programs loans for debt restructuring (such as reamortization, writedown, and etc.), except the term of RHF loan cannot exceed 33 years from the date of the original loan.

2. Reamortization of Rural Housing Loans

All RH loans can be considered for reamortization under FmHA Instruction 1951-G, paragraph 1951.314 when the Farmer Programs loans are being serviced under FmHA Instruction 1951-S.

3. Loan Input Screen and Rural Housing Loans

The RH loan can be entered into the Loan Input Screen, and the RH loan will not affect the present value of restructured payments. If the RH loan is entered in the DALR\$ Loan Input Screen, the RH loan payment CANNOT be handled as a payment to another lienholder.

EXPIRATION DATE: September 30, 1992

FILING INSTRUCTION:
Preceding FmHA
Instruction 1951-S



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

4. Net Recovery Value and Rural Housing Loans

If the RH loan is a prior lien to the Farmer Programs loans, the RH loan will be entered in DALR\$ Net Recovery Value Data Screen as a prior lien when the net recovery value is calculated. If the RH loan is a lien junior to the Farmer Programs loans, it will not be entered in the net recovery value calculations in DALR\$.

If the RH loan is NOT cross-collateralized with the Farmer Programs loans and the borrower cannot develop a feasible plan and is eligible for net recovery buyout, the borrower may pay the net recovery buyout for the Farmer Programs loans, and continue with the RH loan. The borrower would sign a Net Recovery Recapture Agreement for the Farmer Programs loans. On page one of the DALR\$ printout, the amount of the Net Recovery Value is printed. You should add the words "Farmer Programs" after FmHA in the first sentence of the net recovery value paragraph, so that the first sentence reads, "You may buy out your FmHA Farmer Programs loans for the net recovery value of \$\$\$\$\$\$." Also, add the following sentence to the paragraph, "You also owe FmHA \$\$\$\$\$\$ on your Rural Housing Loan."

If the RH loan IS cross-collateralized with Farmer Programs loans and the borrower cannot develop a feasible plan, the borrower would be required to pay the Net Recovery Value "plus" the unpaid balance on the RH loan. The borrower with cross-collateralized RH and Farmer Programs loans would not be able to continue with the RH loan, unless the account is being serviced in accordance with paragraph 1965.26(c)(2) of FmHA Instruction 1965-A.

Paragraph 1965.26(c)(2) pertains to the liquidation of nonfarm security that is also additional security for Farmer Programs loans. This provision applies in liquidation cases only. It should not be used for debt writedown or buyout cases.

If you have any questions, contact Ann Eggleston Farmer Programs Loan Servicing and Property Management Division, at FTS 475-4009 or commercial (202)475-4009.



LA VERNE AUSMAN
Administrator

Attachment

Sent by Time Delay Option to States at 10 am on 11/29/91 to districts at 12 pm on 11/29; and Counties at 2 pm on 11/29 by GSS.